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C O N F I D E N T I A L SECTION 01 OF 05 BAKU 001582

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SUBJECT: AZERBAIJAN: PRESIDENT ALIYEV DISCUSSES U.S.-AJ
RELATIONS, WTO ACCESSION, RUSSIA AND GEORGIA, IRAN, AND
NAGORNO-KARABAGH CONFLICT WITH CONGRESSIONAL STAFF
DELEGATION

Classified By: AMBASSADOR ANNE E. DERSE, PER REASONS 1.4 (B, D)

11. (C) SUMMARY: In an October 27 meeting with a visiting German Marshall Fund delegation that included six Congressional staff, President Aliyev applauded U.S.-Azerbaijani relations as "developing very successfully" across many areas, and "entering a new phase." Underscoring that Azerbaijan is a "friend and ally" of the U.S. that is increasingly capable as a partner and influential in the region given its strategic location, energy and financial resources, and transport links, Aliyev told the GMF delegation that "our goals in the region coincide, this is one of the best periods of bilateral ties, it is time to work on possible joint action." In Aliyev's view, given Azerbaijan's growing regional stature and the continuing need for strong U.S. support for regional energy and other projects, the "future direction of the region will depend to a large extent on U.S.-Azerbaijan relations." It is in the interest of both countries and the region for the U.S. and Azerbaijan "to cooperate on a broader agenda in a broader regional context, this could be a new element in U.S.-Azerbaijan relations in the future," Aliyev said.

12. (C) SUMMARY CONTINUED: On other subjects, Aliyev noted Azerbaijan's concern with Russia-Georgia tensions, "given Georgia's importance as Azerbaijan's friend, strategic partner and window to Europe." Russia is pressuring Georgia as the "weakest link in the BTC and SCP pipelines and the energy project for Europe," but "cannot overcome U.S. political support for these projects." Aliyev said a nuclear-armed Iran is as much a "danger" to Azerbaijan as it is to the U.S. and the world, but argued that the U.S. policy of isolation "has not worked." The Iranian leadership is unified and remains intent on pursuing its nuclear aims; Iran has relations with its neighbors, the Islamic world and major Asian and European countries, and "feels very comfortable." Aliyev outlined key points of Azerbaijan's recent written proposal to the Minsk Group to resolve the Nagorno-Karabakh conflict, saying "this is the

most we can give." He thanked the U.S. for its support on Azerbaijan's WTO accession, stating that Azerbaijan "wants to join the WTO" and its action plan for WTO membership "would be 100 percent completed in 2007 and the doors will open for Azerbaijan to enter." END SUMMARY.

13. (U) In an October 27 meeting with a visiting German Marshall Fund delegation that included six Congressional Staffers, accompanied by the Ambassador and poloff (notetaker), President Aliyev commented on next steps in U.S.-Azerbaijan relations, Azerbaijan's accession to the WTO, Russia, Georgia, Iran and the Nagorno-Karabakh conflict.

U.S.-Azerbaijan Relations: "Time to Work on Joint Action"
in a Broad Regional Context

14. (C) Aliyev welcomed the delegation, saying he has valued dialogue with GMF and GMF's contribution to developing new approaches to strengthen regional cooperation and U.S.-Azerbaijan bilateral relations. He told the group that U.S.-Azerbaijan relations "cover many areas, are developing very successfully, and we are very satisfied." He noted that Azerbaijan's regional role is becoming increasingly important, and that Azerbaijan is playing that role as a "friend and ally of the U.S." He argued that "the region's direction will depend to a large extent on U.S.-Azerbaijan relations," given U.S.-Azerbaijani shared interests, Azerbaijan's strategic location and Azerbaijan's growing importance in regional political, economic, energy and transport developments.

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15. (C) Aliyev underscored the value to U.S. interests of working closely with Azerbaijan, saying that such an effort is very important for the development of the region and for Azerbaijan, and "could be a new element in U.S.-Azerbaijan relations in the future." Aliyev said there are very important issues in the region "for our future partnership, which can enter a new stage." Azerbaijan is becoming "more and more capable of contributing" by providing peacekeepers, political support, and contributing to regional economic development. There is an important opportunity now to strengthen U.S.-Azerbaijan ties, he concluded. "Our goals in the region coincide, this is one of the best periods of bilateral ties, it is time to work on possible joint action."

16. (C) Illustrating his point about Azerbaijan's growing influence and the importance of U.S.-Azerbaijan cooperation for the region's stability and development, Aliyev noted that Azerbaijan is using its good relations in the Caspian and Black Sea regions, especially its strong ties with Romania, Bulgaria, the Ukraine and the countries of the former Soviet block, to promote "Caspian-Caucasus-Black Sea" cooperation and development. He underscored the importance of U.S. support to efforts to diversify gas supplies by providing Caspian gas to world markets, and the importance of Azerbaijan to this strategy "given our own resources and our existing infrastructure." Azerbaijan also can "work with Kazakhstan and potentially other Central Asian countries to join our oil and gas projects." As another example, Aliyev pointed to GUAM, noting that the U.S. was important to the launch of GUAM and Azerbaijan is now playing an active role to further develop GUAM as a regional institution.

WTO Accession: Action Plan to be Completed "100 Percent"
in 2007

17. (C) Aliyev noted with appreciation his recent discussion with visiting U.S. Ambassador to the WTO Peter Allgeier (septel). "We want to be part of the WTO," he said. He thanked the U.S. for its support for Azerbaijan's efforts. Azerbaijan's action plan (to make legislative changes required for WTO membership) "will be implemented 100 percent next year," Aliyev said. Azerbaijan is also pursuing bilateral negotiations and must now "negotiate in a more concrete and specific manner on the issues," he acknowledged. At the same time, Azerbaijan "must be protected" from negative economic developments as a result of accession. He noted that Azerbaijan's export potential outside of oil and gas "is still modest." Azerbaijan is "working hard to invest in the non-oil sector, especially agriculture and services," as half of Azerbaijan's population lives in rural areas. "As we pursue the accession process we must address the potential concerns that may result from the process. But there is nothing that cannot be resolved. It can be done. It just has to be done. Next year the whole program will be implemented and the doors will open for Azerbaijan to enter."

Russia

18. (C) Aliyev said that Georgia and Armenia are more concerned about their relations with Russia than is Azerbaijan. "The Russian question is not at the top of our agenda. Azerbaijan is neither a Russian satellite nor a Russian enemy. We constructively and wisely build our policy, but without compromises." Aliyev said that an

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analysis of Azerbaijan's relations with Russia over the past ten years would reveal "normal relations on the basis of mutual respect, non-interference -- but no compromises." As a result, whether with respect to domestic or foreign policy, he repeated, Russia is not at the top of Azerbaijan's agenda. Aliyev said that Azerbaijan is one of the most independent countries of the CIS in general and from Russia in particular.

19. (C) The "crisis" in Georgia, however, is "very tense," Aliyev said. Georgia is trying to find a way out of this situation. The Georgia-Russia issue does concern Azerbaijan because Georgia is a "friend, strategic partner, and our pipelines cross their territory." Russia is very unhappy about this pipeline, but "Russia cannot stop us from transporting this energy." Georgia, however, is "the weakest link in BTC and the gas project for Europe" so Russia focuses on the weakest link. Russian control over Georgia would be a disaster for U.S. Georgia is our window to Europe. If it is closed, it's a problem." For this reason, Aliyev said, Azerbaijan is concerned that Russia not destabilize Georgia.

110. (C) Armenia is more and more a Russian satellite, losing its independence of action and now "totally dependent" on Russia from an economic and energy point of view, Aliyev said. Armenia is the most dependent on Russia of all the CIS countries, "even more than Belarus," Aliyev said. The tension between Georgia and Russia is "a disaster" for Armenia.

Iran

111. (C) Aliyev said it is hard for Azerbaijan to offer advice on how to handle the Iranian situation "because we do not know exactly what is happening, their goals, when they will have a nuclear weapon -- and we know they are pursuing one." From Azerbaijan's perspective, sharing a

border of over 1,000 kilometers with Iran, "the U.S. policy of isolation did not work. Iran is not isolated." Iran has relations with its neighbors, "tense" relations, but relations nonetheless with the Arab world, and relations with the "biggest countries in Asia and in Europe." Isolation "is not a productive policy." Barring Chevron from engaging in Iran in the mid -1990s only resulted in Total immediately making the investment, Aliyev noted.

¶12. The U.S. is in any case negotiating with Iran through the Europeans, Aliyev commented. It is worth considering the kinds of contacts that could be pursued with Iran. However, the time for the U.S. to directly communicate with Iran has passed. Aliyev said that his discussions with Iranian President Makhmud Ahmadinejad "have convinced me that they will not step back from their nuclear program," and Aliyev opined that Iran would go until the end. Iran is hard to influence, Aliyev said. Iran does not depend on assistance, and it is not politically isolated, with "two supporters in the UN." Iran is a closed society, its people are not educated, and there is strong anti-American propaganda. The Iranian religious leadership, the President, and the presidential staff are more united than ever before. There is not the same level of internal dissent among the leadership as there was under the previous regime and they feel much more comfortable, Aliyev said.

¶13. Iran is a "big danger" for Azerbaijan, Aliyev noted. There are "30 million Azeris" in Iran, and part of the Iranian establishment looks at Azerbaijan as Iran's. The successful development of Azerbaijan "irritates, makes nervous and anxious," the Iranian leadership, Aliyev said, because it shows which approach to development is better.

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"A nuclear-armed Iran "is no less a disaster for Azerbaijan than it is for the US."

Nagorno-Karabakh

¶14. Aliyev said that the Minsk Group had asked both Armenia and Azerbaijan to provide in writing their proposals for a solution based on the last three years of negotiations and international law. Armenia did not respond to the Minsk Group's request for a written proposal, Aliyev said, but Azerbaijan did. Our proposal was "very reasonable," and includes a guarantee of Karabakh's peace and security through both political and military guarantees, an interim arrangement for Karabakh with the "highest degree of autonomy" until "the final stages are resolved." It was "the best we can give," Aliyev maintained.

¶15. There can be "no independence" for Karabakh, Aliyev stressed. Neither Georgia nor Moldova will ever give independence to their separatist territories. There is "no principle that if you are a minority you can demand independence." Azerbaijan has minorities - Jewish, Muslim, Christian -- living cooperatively, without conflict, and not demanding autonomy in Azerbaijan's "highly tolerant" society. The territorial integrity of Azerbaijan is recognized in international law and by the international community. Azerbaijan wants its seven regions returned peacefully; this is a "natural," not an "extraordinary" demand. "We can see in the future, a status for NK like the status quo: NK as a part of Azerbaijan as a strong country, protected by an interim arrangement and international guarantees."

¶16. (C) Azerbaijan retains the right "at any moment" to undertake military action "in our own territory - we just want to restore our lands, like the UK in the Falklands," Aliyev asserted. This is "issue number one" for

Azerbaijan; Azerbaijan "is mobilizing its political, diplomatic, economic, military, all its resources to regain its occupied lands." The Armenian approach is based neither on international law nor the normal behavior of states. In 1918, Yerevan was part of the Azerbaijan Democratic Republic and 65 percent of the population was Azeri. Azerbaijan could demand Yerevan back, Aliyev said rhetorically. Aliyev noted that there were separatist movements in Italy, Spain, the UK, Romania, Moldova, Russia and other states. Separating NK from Azerbaijan would set a dangerous precedent for others, he said.

COMMENT

¶17. (C) Aliyev's comments to the GMF delegation on Azerbaijan's broad regional vision and growing regional influence, potential and aspirations, as well as Azerbaijan's value as an increasingly capable "friend and ally" for the U.S. and the West, are themes he underscores with increasing frequency both publicly and privately. We will seek an opportunity to explore further with Aliyev his view of next steps in U.S.-Azerbaijan relations, and especially, what he envisions as "possible joint action" on a "broader agenda in a broader regional context." His comments on Russia and Georgia strongly implied that Azerbaijan will do all it can to help Georgia survive and resolve the current crisis given Azerbaijan's fundamental self-interest in ensuring that its "window to Europe" remains open, without antagonizing Russia. Aliyev seemed troubled by the current standoff with Iran and the U.S. and international community's inability to influence Iranian behavior; he was clear, however, that efforts to isolate

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Iran have already failed and other approaches should be considered. His comments on Azerbaijan's position on Karabakh remain consistent and were aimed at underscoring Azerbaijan's justification on the basis of international law and Azerbaijan's "no independence" bottom line. We will follow up actively to support fulfillment of Aliyev's pledge that Azerbaijan's WTO membership action plan will be completed in 2007, as a key tool to force reform essential to Azerbaijan's successful management of its oil revenues and non-oil sector development.

DERSE